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COCHENOUR WILLANS

G O L D M I N E S , L I M I T E D

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ANNUAL REPORT

COCHENOUR WILLANS GOLD MINES, LIMITED

<i>Directors</i>	J. EDWIN J. FAHLGREN, <i>Cochenour, Ont.</i> ROBERT E. FASKEN, <i>Mississauga, Ont.</i> JOHN B. MCLELLAN, <i>Toronto, Ont.</i> MURDOCH, C. MOSHER, <i>Toronto, Ont.</i> GEORGE T. SMITH, <i>Toronto, Ont.</i> ROBERT M. SMITH, <i>Oakville, Ont.</i>
<i>Officers</i>	J. E. J. FAHLGREN, <i>President</i> G. T. SMITH, <i>Vice-President</i> J. B. MCLELLAN, <i>Secretary</i> B. C. LEMON, <i>Treasurer and Asst. Secretary</i>
<i>General Manager</i>	J. E. J. FAHLGREN, <i>Cochenour, Ont.</i>
<i>General Superintendent</i>	D. H. COGILL, <i>Cochenour, Ont.</i>
<i>Registrar & Transfer Agents</i>	CANADA PERMANENT TRUST COMPANY 20 Eglinton Avenue West Toronto, Ontario M4R 2E2
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Balmertown, Ontario
<i>Auditors</i>	THORNE RIDDELL & CO. Thunder Bay 'F', Ontario
<i>Solicitors</i>	FRASER & BEATTY P.O. Box 100 First Canadian Place King Street West Toronto, Ontario M5X 1B2
<i>Executive & Mine Office</i>	Cochenour, Ontario POV 1L0

Report of the Directors

To the Shareholders of
Cochenour Willans Gold Mines, Limited

The Board of Directors submit herewith the Annual Report of Cochenour Willans Gold Mines, Limited with the financial statements for the year ended December 31, 1977, which include the Consolidated Balance Sheet, Statement of Income, Statement of Deficit and Statement of Changes in Financial Position.

A progressive improvement in the average price of gold in 1977 over 1976 is noted. At the same time inflation has not been arrested and it is also noted that operating costs at neighbouring mines have recorded an increase of almost 100% from 1973 to 1977. Therefore, your Directors do not consider it practical to proceed with further development of the gold property of itself or its subsidiaries Wilmar Mines Limited and Amco Mines Limited at the prevailing gold price levels.

We are, however, hopeful that a mutually satisfactory agreement will be made with Campbell Red Lake Mines Limited to accommodate an underground Diamond Drilling Exploration program on the property of our subsidiary Consolidated Marcus Gold Mines Limited from one of their underground Exploration Drifts in the Northwest part of their mines.

The Mining Plant, Mill and Buildings continue to be maintained in a good state of repair. The Office Building, Dormitories, Cafeteria and some warehouses are presently being rented in whole or in part to others. Part of the Company's land holdings is being subdivided for housing development.

The Company had reduced its bank indebtedness to \$103,000 at the end of 1977.

Early in 1977 we completed the transaction referred to in the 1976 report and in the financial statements relative to the acquisition of shares of Coin Lake Gold Mines Limited. Your Company now holds 50.2% of Coin's issued shares.

EXPLORATION

Trout Bay Group (Cochenour 80%, Coin 10%, Selco 10%)

The Ontario Government is continuing with its road construction program into this area from Red Lake that will provide close road access to the property. Selco Mining Corporation Limited are exploring this property under an option agreement.

Cochenour Explorations Limited

East Bay Group — This group of claims in Bateman Township has been optioned to Selco Mining Corporation Limited and they are carrying on a Diamond Drilling program.

Cassummit Lake Project (Cochenour 70%, Coin 30%)

Exploration on this Group has been deferred.

Submitted on behalf of the Board,

J. E. J. FAHLGREN,
President.

May 30th, 1978,
Cochenour, Ontario.

COCHENOUR WILLANS

(Incorporated under the laws of Ontario)
and its subsidiary, Coin Lake Gold Mines Limited

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS	1977	1976
Cash	\$ 9,265	\$ 8,106
Accounts receivable	46,532	54,576
Marketable securities, at cost less provision for losses		48,125
Materials and supplies, at the lower of cost and replacement cost	110,754	120,194
Prepaid expenses	8,768	5,035
	<u>175,319</u>	<u>236,036</u>
INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES (note 3)	—	—
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANY		127,636
OTHER INVESTMENTS		
Shares in other mining companies, at cost less provision for loss on investment of \$13,690; 1976, \$13,690 (quoted market value \$1,530; 1976, \$1,530)	1,530	1,530
FIXED ASSETS (note 4)	251,103	289,090
MINING CLAIMS AND LICENSES, at cost (note 5)	383,620	248,465
	<u>\$ 811,572</u>	<u>\$ 902,757</u>

AUDITOR

To the Shareholders of
Cochenour Willans Gold Mines, Limited

We have examined the consolidated balance sheet of Cochenour Willans' Gold Mines, Limited and its subsidiary, Coin Lake Gold Mines Limited as at December 31, 1977 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Thunder Bay, Ontario,
April 14, 1978.

GOLD MINES, LIMITED

(In accordance with the laws of Ontario)
Lake Gold Mines Limited

as at December 31, 1977

LIABILITIES

CURRENT LIABILITIES	1977	1976
Bank advances, partially secured by assignment of accounts receivable	\$ 103,000	\$ 165,000
Accounts payable and accrued liabilities	104,407	58,181
	<u>207,407</u>	<u>223,181</u>
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANY	<u>34,505</u>	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Authorized		
7,000,000 Shares without par value		
Issued		
5,169,430 Shares; 1976, 4,515,356 Shares	3,953,064	3,796,086
DEFICIT	<u>3,296,827</u>	<u>3,221,134</u>
	656,237	574,952
EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED BOOK VALUE	<u>98,607</u>	<u>104,624</u>
	754,844	679,576
CAPITAL STOCK HELD BY SUBSIDIARY COMPANY		
712,248 Shares	<u>185,184</u>	
	569,660	679,576
	<u>\$ 811,572</u>	<u>\$ 902,757</u>
CONTINGENT LIABILITY (note 7)		
SUBSEQUENT EVENTS (note 8)		

Approved by the Board:

J. E. J. FAHLGREN, Director.

J. B. McLELLAN, Director.

REPORT

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants.

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiary, Coin Lake Gold Mines Limited

Consolidated Statement of Income

Year Ended December 31, 1977

REVENUE	1977	1976
Real estate income	\$ 40,687	\$ 328,777
Interest and dividends	5,397	6,250
Miscellaneous	3,274	9,537
	<u>49,358</u>	<u>344,564</u>
EXPENSES		
Mine and real estate	58,031	88,175
Administration	63,659	75,088
Directors' fees		7,200
Depreciation	34,834	39,739
Municipal taxes	18,681	16,320
Insurance	11,711	18,861
Exploration and prospecting, net of grants received (note 7)	1,942	23,011
	<u>188,858</u>	<u>268,394</u>
INCOME (Loss) before the undernoted	<u>(139,500)</u>	<u>76,170</u>
Add:		
Gain on sales of machinery and equipment	37,275	26,359
Gain on sale of marketable securities	25,271	
	<u>62,546</u>	<u>26,359</u>
	<u>(76,954)</u>	<u>102,529</u>
Deduct:		
Provision for loss on investment in and advances to unconsolidated subsidiary companies	4,754	3,036,628
Provision for loss on other investments		7,030
	<u>4,754</u>	<u>3,043,658</u>
Loss	<u>\$ 81,708</u>	<u>\$2,941,129</u>
LOSS PER SHARE	2¢	65¢

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiary, Coin Lake Gold Mines Limited

Consolidated Statement of Deficit

Year Ended December 31, 1977

	1977	1976
DEFICIT AT BEGINNING OF YEAR	\$3,221,134	\$ 943,629
Elimination of share of deficit of subsidiary company, Wilmar Mines Limited		657,609
	3,221,134	286,020
Amortization of excess of appraised value of fixed assets over depreciated book value	6,015	6,015
	3,215,119	280,005
Loss	81,708	2,941,129
DEFICIT AT END OF YEAR	<u>\$3,296,827</u>	<u>\$3,221,134</u>

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1977

WORKING CAPITAL DERIVED FROM	1977	1976
Proceeds from sale of fixed assets	\$ 37,649	\$ 367,115
Issue of capital stock	156,978	
	<u>194,627</u>	<u>367,115</u>
WORKING CAPITAL APPLIED TO		
Operations		
Loss	81,708	2,941,129
Items not involving working capital		
Depreciation	34,834	39,739
Provision for loss on investment in and advances to unconsolidated subsidiary companies	4,754	3,036,628
Provision for loss on other investments		7,030
Loss (gain) on sales of real estate	2,779	(306,992)
Gain on sales of machinery and equipment	(37,275)	(26,359)
	5,092	2,750,046
	76,616	191,083
Acquisition of shares of subsidiary company	156,978	
Increase in investment in and advance to unconsolidated companies	4,754	77,731
	<u>238,348</u>	<u>268,814</u>
INCREASES (DECREASE) IN WORKING CAPITAL POSITION	<u>(43,721)</u>	<u>98,301</u>
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	12,855	(507,539)
Addition of share of working capital deficiency of subsidiary company	(1,222)	
Elimination of share of working capital of subsidiary company		422,093
	11,633	(85,446)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ (32,088)</u>	<u>\$ 12,855</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiary, Coin Lake Gold Mines Limited

Notes to Consolidated Financial Statements

Year Ended December 31, 1977

1. ACCOUNTING POLICIES

(a) Basis of consolidation

During the year the company acquired 2,289,260 shares of the capital stock of Coin Lake Gold Mines Limited (note 6) at an agreed price of \$156,978 in the aggregate.

At December 31, 1977, the company owned 2,453,155 shares of Coin Lake Gold Mines Limited. The subsidiary in turn owns 712,248 shares of the capital stock of Cochenour Willans Gold Mines, Limited. The consolidated financial statements include the accounts of Coin Lake Gold Mines Limited, a 50.2% owned subsidiary.

The comparative figures for 1976 do not include the accounts of Coin Lake Gold Mines Limited since the shares held at that time represented only 3.4% of the issued share capital of that company.

The remaining subsidiaries are inactive and are considered immaterial and their accounts have not been consolidated in these financial statements.

(b) Fixed assets

The townsite buildings were appraised at market value on December 31, 1969 by O'Brien Agency Limited. These assets are reflected in the accounts at appraised value less accumulated depreciation. The unamortized increase in value resulting from the appraisal in 1969 is reflected in shareholders' equity as "Excess of appraised value of fixed assets over depreciated book value".

All other fixed assets are recorded at cost.

The company records depreciation on its operating assets on a diminishing balance basis at annual rates of 15%. It records depreciation on residential dwellings on a straight line basis at an annual rate of 5%. The excess of appraised value of buildings over depreciated book value is being amortized on a straight line basis at an annual rate of 5%.

(c) Recovery of costs

The recovery of the costs of mining claims and licences is dependent upon the companies obtaining adequate financing and developing sufficient quantities of ore of economic value.

The recovery of the costs of inventories of materials and supplies is dependent upon the market for the sale of such inventories.

2. ACQUISITION OF SUBSIDIARY

Coin Lake Gold Mines Limited

Net assets acquired at assigned values (book value \$81,821)

Current assets	\$ 6,701
Other assets	191,310
	198,011
Current liabilities	116,190
	81,821
Minority interest	40,763
	41,058

Excess of cost of shares acquired by the company over net book value of the company's proportion of the underlying assets	129,031
	<u>\$ 170,089</u>

Consideration given at fair value

Issue of capital stock (note 6)	\$ 156,978
Prior investment	13,111
	<u>\$ 170,089</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiary, Coin Lake Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS (Continued)

Year Ended December 31, 1977

3. INVESTMENT IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANIES

Details of investment in and advances to unconsolidated subsidiary companies are as follows:

WILMAR MINES LIMITED

	1977	1976
Shares, at cost	\$1,992,909	\$1,992,909
Advances	1,024,461	1,024,461
Less provision for loss on investment	(3,017,370)	(3,017,370)
	<u>\$ —</u>	<u>\$ —</u>

ANNCO MINES LIMITED

Shares, at cost	479,998	479,998
Advances	197,998	197,432
Less provision for loss on investment	(677,996)	(677,430)
	<u>\$ —</u>	<u>\$ —</u>

COCHENOUR EXPLORATIONS LIMITED

Shares, at cost	121,439	121,439
Advances	156,205	154,395
Less provision for loss on investment	(277,644)	(275,834)
	<u>\$ —</u>	<u>\$ —</u>

CONSOLIDATED MARCUS GOLD MINES LIMITED

Shares, at cost	86,240	86,240
Advances	51,458	49,305
Less provision for loss on investment	(137,698)	(135,545)
	<u>\$ —</u>	<u>\$ —</u>

WILMAR MINES LIMITED

Under the terms of agreements dated January 8, 1974 and January 24, 1975, the company and Martin-McNeely Mines Limited agreed to advance funds up to \$1,200,000 in the aggregate, in the ratio of 65:35, to finance exploration and development of Wilmar Mines Limited. Advances so made may be converted for shares in the capital stock of Wilmar Mines Limited at the rate of 1 share for each dollar so advanced.

Advances to December 31, 1977 were as follows:

	Requirement	Advanced
Cochenour Willans Gold Mines, Limited	\$ 780,000	\$1,024,461
Martin-McNeely Mines Limited	420,000	424,330
	<u>\$1,200,000</u>	<u>\$1,448,791</u>

At December 31, 1977, the company owned 2,684,331 shares of Wilmar Mines Limited, representing 65.2% of the issued capital stock.

ANNCO MINES LIMITED

At December 31, 1977, the company owned 1,600,000 shares of AnncO Mines, Limited, representing 55% of the issued capital stock.

COCHENOUR EXPLORATIONS LIMITED

Under the terms of an agreement dated January 21, 1966, Cochenour Explorations Limited may request advances from its shareholders to a maximum of \$250,000, in proportion to their shareholdings, should the board of directors of Cochenour Explorations Limited determine that the exploration properties warrant the expenditure of additional funds. Default on such requests can result in the forfeiture of a pro-rata portion of the shareholders' shares in the company to the other shareholders.

At December 31, 1977, Cochenour Willans Gold Mines, Limited was committed to a maximum advance of \$127,500 based on present shareholdings, of which \$127,468 has been requested to date. The company has made advances to December 31, 1977 totalling \$156,205 of which \$28,737 has been

COCHENOUR WILLANS GOLD MINES, LIMITED

and its subsidiary, Coin Lake Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS (Continued) Year Ended December 31, 1977

advanced in anticipation of taking over the shares of delinquent shareholders who have failed to pay their proportionate share of expenditures incurred pursuant to this agreement.

At December 31, 1977, the company owned 255,000 shares of Cochenour Explorations Limited, representing 51% of the issued capital stock and was anticipating the acquisition of a further 11.5% of the issued capital stock.

CONSOLIDATED MARCUS GOLD MINES LIMITED

At December 31, 1977, the company owned 1,780,700 free shares of Consolidated Marcus Gold Mines Limited representing 57.4% of the issued capital stock. A further 249,995 shares are held in escrow to be released if and when the company has caused Consolidated Marcus Gold Mines Limited to bring its mining claims into production.

	1977	1976
4. FIXED ASSETS		
Land	\$ 1	\$ 1
Buildings		
Townsite	276,174	280,645
Other	489,566	489,566
	765,740	770,211
Less accumulated depreciation	587,262	566,562
	178,478	203,649
Machinery and equipment	1,674,983	1,721,772
Less accumulated depreciation	1,602,359	1,636,332
	72,624	85,440
	<u>\$ 251,103</u>	<u>\$ 289,090</u>
5. MINING CLAIMS AND LICENSES	1977	1976
Cochenour Willans Gold Mines, Limited	\$ 248,465	\$ 248,465
Coin Lake Gold Mines (including \$129,031 excess of cost of shares acquired by the company over net book value of the company's portion of the underlying assets)	135,155	
	<u>\$ 383,620</u>	<u>\$ 248,465</u>
6. CAPITAL STOCK		
During the year the company issued 654,074 shares of its capital stock, at an agreed value of 24¢ for each share issued, in exchange for 2,289,260 shares of the capital stock of Coin Lake Gold Mines Limited.		
The company has set aside 85,000 shares of its capital stock for the granting of options in the future.		
7. CONTINGENT LIABILITY		
Under the terms of certain agreements, the Ministry of Natural Resources, Ontario, has agreed to reimburse a portion of certain expenses incurred for the exploration of minerals. Should the exploratory work result in the discovery and development of a commercially feasible mineral deposit, amounts so advanced by the Ministry become repayable without interest. Advances to December 31, 1977, total \$97,019.		
8. SUBSEQUENT EVENTS		
The company is continuing to dispose of its plant assets.		
The company has commenced negotiations to acquire a pro-rata share of the mining claims of its subsidiaries, Annco Mines Limited and Wilmar Mines Limited, incidental to an intention to wind-up the subsidiaries under the provisions of the Business Corporations Act, Ontario.		
9. ANTI-INFLATION ACT		
Payment of dividends is restricted by the Anti-Inflation Act regulations. It is not company policy to pay dividends at this time.		
10. OTHER STATUTORY INFORMATION		
Remuneration of directors and senior officers as defined by The Business Corporations Act amounted to \$32,494; 1976, \$75,517.		

